

**South Carolina Retirement System Investment Commission
Meeting Minutes**

September 8, 2022 9:30 a.m.

Capitol Center

1201 Main Street, 15th Floor

Columbia, South Carolina 29201

**Meeting Location: 1201 Main Street, 15th Floor, Ste. 1510 & Streaming Online at
www.rsic.sc.gov**

Commissioners Present:

Mr. William Hancock, Chair

Ms. Peggy Boykin, PEBA Executive Director

Mr. William J. Condon, Jr.

Mr. Kenneth F. Deon

Mr. Edward Giobbe

Ms. Melissa Schumpert

Dr. Holley H. Ulbrich

Mr. Reynolds Williams (absent)

I. Call to Order and Consent Agenda

Chair William H. Hancock called the meeting of the South Carolina Retirement System Investment Commission (“Commission”) to order at 9:32 a.m. Mr. Hancock recognized Mr. Michael Hitchcock, Chief Executive Officer (“CEO”). Mr. Hitchcock introduced two new Commissioners, Dr. Holley H. Ulbrich and Mr. Kenneth F. Dion and gave a brief overview of their background. A link to that information is below.

<https://www.youtube.com/watch?v=zZKEHq-R1y4&t=0s>

After the introductions, Mr. William J. Condon, Jr. moved to approve the proposed agenda as presented, Mr. Edward Giobbe seconded the motion, which was approved unanimously.

Ms. Melissa Schumpert made a motion to approve the minutes from the June 2, 2022, Commission meeting as presented. Mr. Giobbe seconded the motion, which was approved unanimously.

II. Verus Investment Consultants Introduction

Chair Hancock recognized Mr. Hitchcock to introduce the new general investment consultant selected by the Commission. Mr. Hitchcock introduced Mr. Mark Brubaker and Mr. Mike Patowski from Verus Advisory, Inc. Mr. Brubaker and Mr. Patowski gave a brief overview of their company and their background. The video presentation of their introduction is linked below:

<https://www.youtube.com/watch?v=zZKEHq-R1y4&t=320s>

III. Chair's Report

Chair Hancock requested that Mr. Hitchcock address the status of chair and vice-chair elections and Commissioner committee selection. Mr. Hitchcock reminded the Commissioners that at the previous meeting they had agreed to carry over the election of a chair and vice-chair until the September meeting. He stated that because Commissioners Ulbrich and Deon had just joined the Commission, he understood that the consensus was to carry over the elections again until the December 2022 meeting to give the new Commissioners time to get acclimated. Mr. Hitchcock also noted that he would send out an email to the Commissioners to gauge interest for Committee assignments. He reported that Chair Hancock had appointed Ms. Schumpert to the Human Resources and Compensation Committee ("HRCC") on an interim basis. No Commissioners had any further comment, and the Chair concluded his report. A link to the discussion is below:

<https://www.youtube.com/watch?v=zZKEHq-R1y4&t=662s>

IV. Committee Reports

The Chair recognized Mr. Hitchcock to give an update on the activities of the Audit and Enterprise Risk Management Committee ("AERM"). Mr. Hitchcock noted that the AERM Committee Report had been made available to the Commissioners for review prior to the meeting. He asked that any questions be directed to a member of the Committee. Hearing no questions, he concluded the report. Mr. Hitchcock reported that the HRCC met Friday, September 2, 2022. As part of its oversight role, the HRCC received information regarding the Variable Compensation Program as well as staffing and compensation changes that had occurred since the last HRCC meeting. Hearing no questions, he concluded the report. A link to the discussion is below:

<https://www.youtube.com/watch?v=zZKEHq-R1y4&t=768s>

V. CEO's Report

Mr. Hancock recognized Mr. Hitchcock for the CEO's report. Mr. Hitchcock introduced new staff members, Sally Fulkert, Director of Human Resources, and Richard Foster, Investment Associate. He then presented the annual budget recommendation. Mr. Hitchcock reported that Staff would be requesting the same budget authorization, \$15.3 million, as the previous fiscal year. After a discussion of the budget process and request, linked below, Dr. Ulbrich made a motion to authorize the CEO to submit a proposed FY 2024 detail budget substantially similar to the draft budget presented for inclusion in the Governor's annual budget. Ms. Schumpert seconded the motion, which was approved unanimously. A link to the CEO's report is below:

<https://www.youtube.com/watch?v=zZKEHq-R1y4&t=892s>

A link to the presentation materials detailing the budget request may be accessed here, commencing on page 7:

<https://www.rsic.sc.gov/documents/2022.09.08-commission-meeting-rnd.pdf>

VI. CIO's Report

Chair Hancock introduced Mr. Geoffrey Berg, Chief Investment Officer (“CIO”), for the investment performance review for the prior fiscal year. Mr. Berg reported that the Portfolio outperformed the benchmark by 4.3 percent for the fiscal year despite a challenging market landscape in the latter half of the fiscal year. The Portfolio also outperformed the benchmark over the last three and five years.

Mr. Berg then discussed the performance framework and summarized the impacts of the different investment decisions that Staff made. He shared that the value from diversification (the difference between the Policy Portfolio and the Reference Portfolio) was very significant during the fiscal year and over the trailing three-year period as well. He also pointed out that the portfolio structure decisions—those which cause the Portfolio to look different from the Policy Portfolio—added value as well over all time periods. He also shared that RSIC’s external investment managers outperformed very significantly over the past fiscal year.

Mr. Berg then turned to an asset class performance review. He noted that five of the six asset classes added value during the fiscal year. The only asset class that underperformed for the year was the real assets portfolio, but he pointed out that real assets has had strong returns relative to its benchmark over longer periods of time. Five out of six asset classes added value over the three-year period with only private equity lagging during that time. Mr. Berg reminded the Commissioners that the portable alpha hedge funds return shown is the excess return over the cash rate and noted that Staff targets 3 to 5 percent over the cash rate and reported that the portable alpha hedge funds have significantly outperformed over the past few years.

Next, Mr. Berg gave an overview of performance attribution and explained how each attribution effect contributes to the total outcome. After reviewing each effect, he then turned to a discussion of manager performance over the fiscal year. Mr. Berg reported that manager selection was positive for every asset class.

Mr. Berg then highlighted some of the Portfolio repositioning activities and noted that the Portfolio remained above its limit to both private equity as well as all private markets as of June 30, 2022. He stated that the biggest contributor to the overweight in private equity was that private equity had outperformed plan growth by 25 percent per year over the past two years. Mr. Berg advised that he was reviewing capital deployment models with Staff to determine if any changes are warranted.

Mr. Berg then turned to a brief discussion of forecasted risk statistics. He noted that, as expected, the volatility estimates rose versus the prior quarter’s report. However,

Staff estimates for relative risk had changed little. After a brief discussion with the Commissioners, he concluded his report. A link to the CIO's report is below:

<https://www.youtube.com/watch?v=zZKEHq-R1y4&t=2091s>

VII. Delegated Investment Report

The Chair recognized Mr. Berg for the delegated investment report. The following delegated investments were closed by Staff since the June 2, 2022, Commission meeting:

| Asset Class | Investment | Investment Amount | Closing Date |
|----------------|--------------------------------------|-------------------|-----------------|
| Real Estate | Blackstone Real Estate Partners X | \$100 M | June 30, 2022 |
| Infrastructure | Brookfield Infrastructure Fund V | \$100 M | July 11, 2022 |
| Private Equity | Cinven 8 | €50 M | July 13, 2022 |
| Real Estate | EQT Exeter Industrial Value Fund VI | \$100 M | August 8, 2022 |
| Private Credit | Eagle Point Defensive Income Fund II | \$50 M | August 30, 2022 |

After the Delegated Investment Report, the Commission recognized Dr. Rebecca Gunlauggson and Dr. Ronald Wilder for their service to the Commission. A link to the presentation is below:

<https://www.youtube.com/watch?v=zZKEHq-R1y4&t=4537s>

VIII. Executive Session

Mr. Condon made a motion to recede into Executive Session to discuss investment matters pursuant to S.C. Code Ann. Sections 9-16-80 and 9-16-320, including particular matters related to the public equity and portable alpha portfolios; to discuss personnel matters pursuant to S.C. Code Ann. Section 30-4-70(a)(1); and to receive advice from legal counsel pursuant to S.C. Code Ann. Section 30-4-70(a)(2). Ms. Schumpert seconded the motion, which was approved unanimously.

IX. Potential Actions Resulting from Executive Session

Upon return to open session, Mr. Hitchcock noted that the Commission did not take any action while in Executive Session.

X. Adjourn

There being no further business, the Commission adjourned at 3:16 P.M. by unanimous vote.

[Staff Note: In compliance with S.C. Code Section 30-4-80, public notice of and the agenda for this meeting was delivered to the press and to parties who requested notice and were posted at the entrance, in the lobbies and near the 15th Floor Presentation Center at 1201 Main Street, Columbia, S.C. by 10:20 A.M. on Tuesday, September 6, 2022]